

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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### FILER

#### MISSISSIPPI CHEMICAL CORP

CIK: **66895** | IRS No.: **640292638** | State of Incorp.: **MS** | Fiscal Year End: **0630**  
Type: **10-Q** | Act: **34** | File No.: **002-07803** | Film No.: **94528328**  
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d)  
Of The Securities Exchange Act of 1934

For Quarter Ended March 31, 1994

OR

Transition Report Pursuant to Section 13 or 15(d)  
Of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1994  
Commission File Number 2-7803

MISSISSIPPI CHEMICAL CORPORATION

Organized in the State of Mississippi  
Identification No. 64-0292638

P. O. Box 388, Yazoo City, Mississippi 39194

Telephone No. 601+746-4131

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Nitrogen 3,985,190

Mixed	97,310
Potash	37,156

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MISSISSIPPI CHEMICAL CORPORATION  
AND SUBSIDIARIES

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MISSISSIPPI CHEMICAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	March 31, 1994	June 30, 1993
	-----	-----
ASSETS		Note 1
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,851	\$ 22,706
Accounts and notes receivable	44,950	39,115
Inventories:		
Finished products	14,161	9,009
Raw materials and supplies	5,003	5,426
Replacement parts	27,811	27,268
	-----	-----
Total inventories	46,975	41,703
Deferred income tax benefit	6,353	-
Prepaid expenses and other current assets	4,046	3,730
	-----	-----
TOTAL CURRENT ASSETS	107,175	107,254

INVESTMENTS AND OTHER ASSETS		
National Bank for Cooperatives	8,887	9,006
Other	10,463	8,039
	-----	-----
TOTAL INVESTMENTS AND OTHER ASSETS	19,350	17,045
DEFERRED INCOME TAX BENEFIT	11,365	-
PROPERTY HELD FOR SALE	66,928	66,928
PROPERTY, PLANT AND EQUIPMENT, at cost	378,164	370,701
Less accumulated depreciation, depletion and amortization	(253,032)	(241,316)
	-----	-----
Net property, plant and equipment	125,132	129,385
	-----	-----
	\$ 329,950	\$ 320,612
	=====	=====

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#### LIABILITIES AND SHAREHOLDER-MEMBERS' EQUITY

##### CURRENT LIABILITIES:

Long-term debt due within one year	\$ 4,738	\$ 11,237
Notes payable	14,655	13,315
Accounts payable	24,881	29,330
Accrued interest	1,515	1,122
Accrued liabilities	23,402	10,213
Income taxes payable	2,448	-0-
Patronage refunds payable	7,001	13,820
	-----	-----
TOTAL CURRENT LIABILITIES	78,640	79,084

LONG-TERM DEBT	70,679	73,526
OTHER LONG-TERM LIABILITIES	52,219	41,238
DEFERRED GAIN ON SALE OF NEWSPRINT MILL	6,864	7,190
SHAREHOLDER-MEMBERS' EQUITY	121,548	119,574
	-----	-----
	\$ 329,950	\$ 320,612
	=====	=====

See notes to consolidated financial statements.

MISSISSIPPI CHEMICAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Nine months ended March 31,	
(Dollars in thousands)	1994	1993	1994	1993
	-----	-----	-----	-----
REVENUES:				
Net sales	\$126,360	\$101,986	\$280,956	\$260,111
Other	180	426	266	875
	-----	-----	-----	-----
	126,540	102,412	281,222	260,986
COSTS AND EXPENSES:				
Cost of products sold	98,283	85,517	238,014	224,466
Provision for closure of gypsum disposal area	5,922	-0-	5,922	-0-
Selling, general and administrative	18,140	12,739	39,668	35,888
Interest (net)	1,171	1,398	4,328	4,446
Interest capitalized	-0-	(99)	-0-	(1,027)
	-----	-----	-----	-----
	123,516	99,555	287,932	263,773
	-----	-----	-----	-----
MARGINS (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	3,024	2,857	(6,710)	(2,787)
INCOME TAXES (CREDIT)	(1,360)	(1,739)	(5,015)	(1,739)
	-----	-----	-----	-----
MARGINS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,384	4,596	(1,695)	(1,048)
CUMULATIVE BENEFIT TO JULY 1, 1993, OF CHANGE IN ACCOUNTING FOR DEFERRED INCOME TAXES	-0-	-0-	10,255	-0-
	-----	-----	-----	-----
NET MARGIN (LOSS)	\$ 4,384	\$ 4,596	\$	-----
	=====	=====	=====	=====

NET MARGINS (LOSS)

APPLIED TO:

Member equities	\$ 6,267	\$ 10,017	\$ 7,001	\$ 17,367
Retained earnings (deficit)	(1,883)	(5,421)	1,559	(18,415)
	-----	-----	-----	-----
TOTAL	\$ 4,384	\$ 4,596	\$ 8,560	\$ (1,048)
	=====	=====	=====	=====

EARNINGS PER SHARE

(Earnings on shareholder business, less reserves withheld, are returned to shareholder patrons as patronage refunds. Other earnings are retained by the Company.)

DIVIDENDS PER SHARE

(Under the Charter, no dividends are payable on any class of stock.)

See notes to consolidated financial statements.





equipment	227	195
Other	(65)	153
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES	(8,547)	(22,628)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt proceeds	161,550	107,368
Debt payments	(169,556)	(102,665)
Payment of cash patronage	(13,405)	(22,480)
	-----	-----
NET CASH USED BY FINANCING ACTIVITIES	(21,411)	(17,777)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,855)	(43,918)
CASH AND CASH EQUIVALENTS - BEGINNING OF NINE MONTHS	22,706	46,855
	-----	-----
CASH AND CASH EQUIVALENTS - END OF NINE MONTHS	\$ 4,851	\$ 2,937
	=====	=====

See notes to consolidated financial statements.

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MISSISSIPPI CHEMICAL CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER-MEMBERS' EQUITY  
MARCH 31, 1994

(Dollars in thousands)

<CAPTION>

	Common Stock			Additional Paid-in Capital	Equity Credits	Retained Deficit	Total
	Nitrogen Series	Mixed Series	Potash Series				
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances,							
July 1, 1992	\$26,176	\$1,460	\$ 199	\$65,381	\$62,352	\$(27,373)	\$128,195
Net margins	-	-	-	-	-	4,790	4,790
Cash patronage refunds	-	-	-	-	-	(13,820)	(13,820)
Stock issued	100	-	-	315	-	-	415
Stock retired	-	-	(2)	(4)	-	-	(6)
	-----	-----	-----	-----	-----	-----	-----
Balances,							
June 30, 1993	26,276	1,460	197	65,692	62,352	(36,403)	119,574
Net margins	-	-	-	-	-	8,560	8,560

Patronage refunds	-	-	-	-	-	(7,001)	(7,001)
Stock issued	99	-	-	316	-	-	415
	-----	-----	-----	-----	-----	-----	-----
Balances,							
March 31, 1994	\$26,375	\$1,460	\$ 197	\$66,008	\$62,352	\$(34,844)	\$121,548
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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MISSISSIPPI CHEMICAL CORPORATION  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - FINANCIAL STATEMENTS

The consolidated balance sheet as of March 31, 1994, the consolidated statements of operations for the three-month and the nine-month periods ended March 31, 1994 and 1993, the consolidated statements of cash flows for the nine-month periods then ended, and the consolidated statements of shareholder-members' equity as of March 31, 1994, have been prepared by the Company, without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and changes in cash flows at March 31, 1994, and for all periods presented have been made. All adjustments made were of a normal recurring nature with the exception of certain adjustments made related to the adoption of SFAS No. 109, "Accounting for Income Taxes," effective July 1, 1993. The cumulative effect of this accounting change increased current period margins by \$10.3 million. As a result of the adoption of SFAS No. 109, tax expense for the quarter ended March 31, 1994, decreased by approximately \$1.5 million, and tax expense for the nine month period ended March 31, 1994, increased by approximately \$200,000.

Certain information and footnote disclosures normally included in

financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's June 30, 1993, audited financial statements. The results of operations for the period ended March 31, 1994, are not necessarily indicative of the operating results for the full year.

#### NOTE 2 - COMMITMENTS AND CONTINGENCIES

During July 1990, the Company entered into an agreement granting to a third party an exclusive four-year option to purchase the Company's undeveloped phosphate mineral properties. This option will expire in June, 1994, and if it is not exercised, the Company will realize a gain to the extent of the option payments received. If the option is exercised, the Company will not realize a material gain or loss on the sale of the property. These properties are classified as properties held for sale at June 30, and March 31, 1994. In December, 1993, the fourth and final option payment was received by the Company and is included in other long-term liabilities. Currently, the Company and the

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option holder are in the process of negotiating new arrangements with respect to the properties.

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MISSISSIPPI CHEMICAL CORPORATION  
AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

The Company's operations for the first nine months of this fiscal year reflect the fact that the usage of fertilizer in the Company's market area is highly seasonal. Results for the first nine months of fiscal 1994 are not indicative of results expected for the full fiscal year. Spring fertilizer usage and sales are significantly greater than fall usage and sales in the Company's market area. Nevertheless, the Company operates its manufacturing plants on a year-round basis accumulating inventory to meet its seasonal sales demand.

Newsprint South, Inc. ("NSI"), a wholly owned subsidiary of the Company, experienced a loss for the first nine months of this fiscal year. U.S. newsprint prices remain extremely depressed and are currently at historical lows. A significant capacity buildup during the late 1980s coincided with a decline in newsprint consumption, causing an acute supply/demand imbalance and a precipitous decline in the price of newsprint. Although newsprint prices increased modestly during April 1994, NSI is still incurring significant losses. As a result of these losses and continuing negative industry trends, the Company's board of directors has authorized the president of the Company to dispose of a majority of the company's interest in NSI. Although no final decisions have been reached regarding the timing and structure of this disposition, it is expected that it will occur on or about July 1, 1994.

In December 1991, Mississippi Phosphates Corporation ("MPC"), a wholly owned subsidiary of the Company, began the production of diammonium phosphate ("DAP"). Virtually all of MPC's production is sold to a third party which has been appointed the exclusive distributor of MPC's production. The exclusive distributor markets MPC's DAP primarily in international markets. During the current quarter, MPC reserved from earnings \$5.9 million relating to the estimated cost of the closure of the phosphogypsum disposal facility located at its Pascagoula facility. This provision resulted in MPC showing a loss for the current quarter and for the nine months ended March 31, 1994; however, increased demand has caused DAP prices to rise during the year and, therefore, it is anticipated that MPC will be profitable in fiscal 1994.

On July 1, 1993, the Company transferred assets in Carlsbad, New Mexico, consisting of a potash mine and related facilities, to a

newly formed, wholly owned Mississippi subsidiary, Mississippi Potash, Inc.

#### COMPARATIVE ANALYSIS OF THE NINE MONTHS ENDED MARCH 31, 1994 AND MARCH 31, 1993

Net sales increased 8% for the nine months ended March 31, 1994, compared with the same period of the prior year. This increase was largely due to higher sales volumes and prices for nitrogen fertilizers. Other income decreased \$609,000 for the nine months ended March 31, 1994, primarily due to receipt of funds from the settlement of certain pending litigation during the nine months ended March 31, 1993.

Cost of products sold increased 6% for the nine months ended March 31, 1994, compared with the same period of the prior year. This increase was primarily due to higher sales volumes and higher production costs for nitrogen fertilizers partially offset by lower sales volumes and lower production costs for DAP.

Selling, general and administrative expenses increased 11% for the nine months ended March 31, 1994, primarily due to increased delivery expense due to higher volumes of nitrogen fertilizer sold.

Net interest incurred decreased 3% for the nine months ended March 31, 1994, and net interest after capitalization increased 27%. The decrease in net interest is primarily the result of lower levels of borrowings and lower interest rates paid by the Company. This decrease was partially offset by lower earnings due to lower levels of investments. Capitalized interest decreased due to the capitalization of interest related to the construction of a new nitric acid plant in the prior year.

#### FERTILIZER

Net sales increased 11% for the nine months ended March 31, 1994. This increase was due primarily to a 12% increase in nitrogen sales volumes and a 2% increase in nitrogen sales prices. The Company also experienced a 25% increase in potash tons sold.

Cost of products sold increased 8% from the nine months ended March 31, 1993. The increase in cost of sales resulted primarily from higher sales volumes and higher per-ton costs for nitrogen fertilizers partially offset by lower sales volumes and lower per-ton costs for DAP. Also contributing to the increase were higher sales volumes for potash. During the current period, DAP production costs per ton declined 15% due to lower raw material

costs. Nitrogen fertilizer costs increased 15% partially due to increased maintenance and labor costs resulting from a scheduled turnaround at the Company's Yazoo City nitrogen production

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facility during the current period. Also contributing to the increase in costs were higher natural gas costs and increased depreciation expense related to a new nitric acid plant which began operating in January, 1993.

#### NEWSPRINT

Net sales did not change significantly for the nine months ended March 31, 1994. Higher sales volumes were offset by lower sales prices.

Cost of products sold increased 2% for the nine months ended March 31, 1994; the result of higher sales volumes.

#### COMPARATIVE ANALYSIS OF THE QUARTERS ENDED MARCH 31, 1994 AND MARCH 31, 1993

Net sales increased 24% for the quarter ended March 31, 1994, compared with the same quarter of the prior year. This increase was largely due to higher sales volumes for nitrogen fertilizers and higher sales prices for DAP. Other income decreased \$246,000 for the quarter ended March 31, 1994, primarily due to receipt of funds from the settlement of certain pending litigation during the quarter ended March 31, 1993.

Cost of products sold increased 15% for the current period due primarily to higher sales volumes and higher production costs for nitrogen fertilizers.

Selling, general and administrative expenses increased 42% for the quarter ended March 31, 1994, primarily due to higher transportation expense due to higher per-ton delivery costs and higher volumes of nitrogen fertilizer sold.

Net interest incurred decreased 16% for the quarter ended March 31, 1994, and net interest after capitalization decreased 10%. The decrease in net interest is primarily the result of lower



levels of borrowings and higher earnings due to the receipt of patronage income from the National Bank for Cooperatives during the current quarter. This decrease was partially offset by higher interest rates paid by the Company. Capitalized interest decreased due to the capitalization of interest related to the construction of a new nitric acid plant in the prior year.

#### FERTILIZER

Net sales increased 31% for the quarter ended March 31, 1994. This increase was due primarily to a 24% increase in sales volumes for nitrogen fertilizers and a 21% increase in sales prices for DAP. The Company also experienced a 42% increase in potash tons sold and a 12% increase in DAP tons sold as well as a

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2% increase in nitrogen fertilizer sales prices during the current quarter.

Cost of products sold increased 22% from the quarter ended March 31, 1993. The increase in cost of sales resulted primarily from higher sales volumes of nitrogen fertilizers and a 10% increase in nitrogen fertilizer costs. During the current quarter, higher sales volumes of DAP were more than offset by an 18% decrease in DAP production costs, the result of lower raw material costs. The increase in nitrogen fertilizer costs was due to higher natural gas prices and higher costs for purchased ammonia.

#### NEWSPRINT

Net sales decreased 2% for the quarter ended March 31, 1994; the result of an 11% decrease in sales prices partially offset by a 9% increase in sales volumes.

Cost of products sold did not change significantly for the quarter ended March 31, 1994. Lower production costs per ton were offset by higher sales volumes.

#### LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 1994, cash provided by

operating activities was \$12.1 million, and cash used by investing activities was \$8.5 million. Financing activities consumed \$21.4 million, including \$8.3 million the Company paid on long-term debt during the nine-month period and cash patronage refunds of \$13.4 million. At March 31, 1994, the Company had cash and cash equivalents of \$4.9 million, which was a decrease of \$17.8 million from June 30, 1993.

At March 31, 1994, the Company had working capital of \$28.5 million compared to \$28.2 million at June 30, 1993. The Company's current ratio was 1.36 to 1 at March 31, 1994, and at June 30, 1993. Short-term borrowings increased to \$14.7 million at March 31, 1994, compared to \$13.3 million at June 30, 1993. Long-term debt was \$70.7 million at March 31, 1994, which was a decrease of \$2.8 million from the June 30, 1993, level of \$73.5 million. Shareholder-members' equity increased to \$121.5 million at March 31, 1994, from \$119.6 million. Long-term debt to total capitalization decreased to 36.8% at March 31, 1994, compared to 38.1% at June 30, 1993.

On August 6, 1992, the Company obtained a \$20 million loan commitment from a commercial bank. This commitment is a revolving credit facility that converts any outstanding balance to term debt on June 30, 1994. At March 31, 1994, and June 30, 1993, the balances outstanding on this loan were \$3 million and \$5 million, respectively. The Company also has lines of credit totalling \$41 million with the National Bank for Cooperatives

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available to finance short-term cash requirements. The Company believes that existing cash, cash generated from operations, and available lines of credit will be sufficient to satisfy its short- and long-term financing needs.

Capital expenditures were \$9.2 million during the nine months ended March 31, 1994. These expenditures were for normal improvements and modifications to the Company's facilities, and were financed with internally generated funds.



Item 5. Other Information

At its meeting on March 22, 1994, the board of directors of the Company unanimously adopted a plan of reorganization which if approved by the shareholders would result in the conversion of the Company from a cooperative to a regular, for-profit business corporation. Pursuant to the plan of reorganization, the Company will be merged into a newly formed, wholly owned subsidiary. A registration statement on Form S-4, which was filed on April 13, 1994, in connection with the transaction is currently being reviewed by the Securities and Exchange Commission.

Item 6(b). Reports on Form 8-K.

No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MISSISSIPPI CHEMICAL CORPORATION

Date: May 12, 1994 /s/ William F. Hawkins  
William F. Hawkins  
Senior Vice President - Finance  
and Administration

Date: May 12, 1994 /s/ Rosalyn B. Glascoe  
Rosalyn B. Glascoe  
Corporate Secretary

